

STATE OF CALIFORNIA

Public Utilities Commission
San Francisco

M e m o r a n d u m

Date: April 6, 2016

To: The Commission
(Meeting of April 7, 2016)

From: Hazel Miranda, Director
Office of Governmental Affairs (OGA) – Sacramento

Subject: **SB 1456 (Galgiani) – Safe Drinking Water State Revolving Fund Law of 1997: public water systems: financing.**
As introduced: February 19, 2016

RECOMMENDED POSITION: SUPPORT

SUMMARY OF BILL

SB 1456 amends Section 116761.20 of the Health and Safety Code to eliminate the exclusion of community water systems owned by for-profit utilities from receiving grants or loans from the Safe Drinking Water State Revolving Fund administered by the State Water Resources Control Board for the design and construction of projects to meet safe drinking water standards.

CURRENT LAW

Health and Safety Code Section 116761.20 excludes owners of for-profits water systems from seeking funding for preliminary engineering studies, project design, and construction costs from the Safe Drinking Water State Revolving Fund for projects to meet safe drinking water standards.

AUTHOR'S PURPOSE

SB 1456 opens funding from the Safe Drinking Water State Revolving Fund to all public water systems, including CPUC-jurisdictional water utilities.

DIVISION ANALYSIS

SB 1456 opens a potential new funding source for projects meeting safe drinking water standards to Commission-jurisdictional water utilities. This may increase the number of loans from the Safe Drinking Water State Revolving Fund provided to California Public Utilities Commission (CPUC)-jurisdictional water utilities. This will require CPUC review of loan documentation and tariff modification for repayment of loans.

SAFETY IMPACT

SB 1456 may enhance the safety of California citizens who take water service from CPUC-jurisdictional water utilities that otherwise would not have a source of funding for projects to meet safe drinking water standards.

RELIABILITY IMPACT

SB 1456 may enhance reliability of service through providing a new source of funding for projects to meet safe drinking water standards for those utilities that otherwise would not have an alternative source of funding.

RATEPAYER IMPACT

SB 1456 would lower the cost of funding projects to meet safe drinking water standards compared to relying on the private capital markets as a source of funds for these projects.

CPUC-jurisdictional water utilities would not be permitted to earn a rate of return on grants or loans from the revolving loan fund.

FISCAL IMPACT

The increase in workload from SB 1456 through increasing the volume of loan documentation and tariff modifications that may need to be reviewed should be accommodated with the existing resources of the Division of Water and Audits.

ECONOMIC IMPACT

SB 1456 may have a small positive economic impact on businesses associated with water infrastructure design and construction of projects to meet safe drinking water standards as it would potentially provide funding to allow these projects to move forward where funding previously did not exist.

LEGAL IMPACT

None.

LEGISLATIVE HISTORY

None.

PROGRAM BACKGROUND

Current law excludes for-profits water utilities from obtaining funding from the Safe Drinking Water State Revolving Fund for preliminary engineering studies, project design, and construction costs for projects to meet safe drinking water standards.

OTHER STATES' INFORMATION

None.

SUMMARY OF SUPPORTING ARGUMENTS FOR RECOMMENDATION

This bill should be supported for the following reason(s):

- (1) For equitable reasons as SB 1456 will eliminate the exclusion of tax payer-supported funding to for-profit water utilities that supply water service to tax payers.
- (2) For safety reasons as SB 1456 will provide a funding source for projects to meet safe drinking water standards for utilities that are otherwise unable to access private capital markets.
- (3) For ratepayer impact reasons as SB 1456 will provide a lower-cost source of funding for projects to meet safe drinking water standards compared with accessing private capital markets.

SUMMARY OF SUGGESTED AMENDMENTS

None.

STATUS

March 10, 2016: Referred to Senate Committee on Environmental Quality.

March 15, 2016: Set for hearing on April 6, 2016.

SUPPORT/OPPOSITION

Support:

California Water Association (Sponsor)

Opposition:

None on file.

STAFF CONTACTS:

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BILL LANGUAGE

SB 1456 (Galgiani), as introduced February 19, 2016, Safe Drinking Water State Revolving Fund Law of 1997: public water systems: financing.

http://leginfo.legislature.ca.gov/faces/billNavClient.xhtml?bill_id=201520160SB1456